

# Memorandum

Date: September 26, 2003

To: Mr. Paul Clanon, Director  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

From: California Energy Resources Scheduling  
Department of Water Resources

Subject: Decision 03-08-076—Order Granting Limited Rehearing

At the request of Energy Division staff, the Department of Water Resources ("DWR" or "Department") submits this memorandum to assist the California Public Utilities Commission ("CPUC" or "Commission") in its deliberations concerning the adoption a Cost Responsibility Surcharge ("CRS") surrounding new municipal load as discussed in Decision 03-08-076. Decision 03-08-076 asks a series of questions set forth below in connection with granting limited rehearing of Decision 03-07-028.<sup>1</sup> The Department has included its answers herein.

## Question 1

What was the time period covered by the forecasts that were submitted by the IOUs [investor owned utilities] to DWR, and to what extent did DWR utilize and/or rely on these forecasts in entering into its contractual commitments?

## Response

Prior to February 13, 2001, DWR used 10-year forecasts for NP15 and SP15 obtained from the California Independent System Operator ("CAISO"). On February 14, 2001, DWR started to use 10-year forecasts provided by Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE"). San Diego Gas & Electric Company ("SDG&E") provided a forecast on approximately March 4, 2001. These forecasts had been prepared by the IOUs during the year 2000. On April 1, 2001, DWR reduced the utility forecasts by approximately 7% for 2001 and 2002 (and slowly declining to a 1% reduction in 2010 forecasted sales) to reflect the anticipated response to higher rates, crisis conservation, and other conservation actions. On or about May 1, 2001, DWR adopted a new forecast that included adjustments for additional conservation programs, a reduction for forecasted distributed generation, updated direct access estimates, and new load management programs. These forecasts were used to develop the estimates of the IOUs' net short in California.

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<sup>1</sup> Decision 03-08-076 at pp. 17-18, 33, ordering paragraph 2.

**Question 2**

What level of future load growth incorporated in the IOUs' forecasts provided to DWR was attributable to municipalization? Distinguish where possible, between municipal annexation of existing utility customer load versus municipal installation of new facilities in previously undeveloped areas?

**Response**

DWR does not know whether any municipalization, municipal annexation, or customer migration from IOU to municipal service areas were included in the forecasts supplied by the IOUs. The Department did not make any adjustments to the IOUs' forecasts to reflect municipalization, annexation, or migration of customers from IOU to municipal service areas. DWR is informed and believes that the IOUs' forecasts were developed reflecting historical trends in electricity usage per customer and forecasts of population and employment growth for the utilities' service areas. The Department did not observe any adjustment in the IOUs' forecasts to account for municipalization.

**Question 3**

What amount of future municipal load growth in the IOU forecasts provided to DWR was expressly attributable to (a) new load of existing publicly owned utilities; (b) new load of publicly owned utilities formed on or after February 1, 2001?

**Response**

DWR has no information to answer this question.

**Question 4**

To what extent, if any, did DWR take into account distinctions between load growth of newly formed publicly owned utilities versus that of existing publicly owned utilities in its contractual commitments?

**Response**

DWR did not consider load growth of publicly owned utilities in its contractual commitments. DWR only considered the load forecasts of the three IOUs.

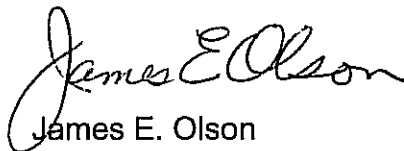
**Question 5**

Should the Commission apportion any CRS exception between existing publicly owned utilities and publicly owned utilities newly formed on or after February 1, 2001, as prescribed in D. 03-07-028? If not, how should any exception from paying the CRS be allocated with respect to new load?

**Response**

The Department continues to support the Commission's efforts to allocate cost responsibility among various customers and defers consideration of these questions to the CPUC and interested parties.

If you have any questions or need additional information, please contact me at (916) 574-1297.

  
James E. Olson  
Deputy Comptroller

cc: Mr. Steve Roscow  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

Mr. Carlos Velasquez  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

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